

**REPORT OF THE AUDIT OF THE  
WEBSTER COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 12, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE 502.573.0050  
FACSIMILE 502.573.0067**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable James R. Townsend, Webster County Judge/Executive  
Honorable Frankie Springfield, Webster County Sheriff  
Members of the Webster County Fiscal Court

The enclosed report prepared by Percy & Gray, PSC, Certified Public Accountants, presents the Webster County Sheriff's Settlement - 2003 Taxes as of April 12, 2004.

We engaged Percy & Gray, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Percy & Gray, PSC evaluated the Anderson County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**WEBSTER COUNTY**  
**SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 12, 2004**

Peercy and Gray, PSC has completed the audit of the Sheriff's Settlement - 2003 Taxes for Webster County Sheriff as of April 12, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$3,776,054 for the districts for 2003 taxes, retaining commissions of \$148,036 to operate the Sheriff's office. The Sheriff distributed taxes of \$3,621,260 to the districts for 2003 Taxes. Taxes of \$3,625 are due to the districts from the Sheriff and refunds of \$875 are due to the Sheriff from the taxing districts.

**Report Comments:**

- Lacks Adequate Segregation Of Duties
- The Sheriff Is Required By KRS 134.160 To Keep Accurate Accounting Records

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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***Kevin P. Peercy, CPA***

***Linda Gray, CPA***



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable James R. Townsend, Webster County Judge/Executive

Honorable Frankie Springfield, Webster County Sheriff

Members of the Webster County Fiscal Court

Independent Auditor's Report

We have audited the Webster County Sheriff's Settlement - 2003 Taxes as of April 12, 2004. This tax settlement is the responsibility of the Webster County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Webster County Sheriff's taxes charged, credited, and paid as of April 12, 2004, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable James R. Townsend, Webster County Judge/Executive  
Honorable Frankie Springfield, Webster County Sheriff  
Members of the Webster County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- Lacks Adequate Segregation of Duties
- The Sheriff Is Required By KRS 134.160 To Keep Accurate Accounting Records.

Respectfully submitted,

A handwritten signature in cursive script that reads "Percy and Gray, PSC".

Peercy and Gray, PSC

Audit fieldwork completed -  
November 24, 2004

WEBSTER COUNTY  
FRANKIE SPRINGFIELD, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2003 TAXES

April 12, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 523,902	\$ 531,365	\$ 1,319,148	\$ 398,921
Tangible Personal Property	68,569	95,523	174,319	172,589
Intangible Personal Property				22,712
Fire Protection	1,252			
Increases Through Exonerations	18	18	45	13
Franchise Corporation	140,356	162,060	354,920	
Additional Billings	205	184	500	156
Oil and Gas Property Taxes	4,509	4,664	11,518	3,427
Bank Franchises	55,046			
Penalties	5,654	5,432	14,074	4,465
Adjusted to Sheriff's Receipt	(138)	(73)		(130)
Gross Chargeable to Sheriff	<u>\$ 799,373</u>	<u>\$ 799,173</u>	<u>\$ 1,874,524</u>	<u>\$ 602,153</u>
<u>Credits</u>				
Exonerations	\$ 1,585	\$ 1,530	\$ 3,983	\$ 1,205
Discounts	8,196	8,573	20,371	8,725
Delinquents:				
Real Estate	37,275	37,992	93,530	28,318
Tangible Personal Property	3,544	5,087	9,052	9,121
Intangible Personal Property				30
Uncollected Franchise	<u>4,549</u>	<u>4,953</u>	<u>11,550</u>	
Total Credits	<u>\$ 55,149</u>	<u>\$ 58,135</u>	<u>\$ 138,486</u>	<u>\$ 47,399</u>
Taxes Collected	\$ 744,224	\$ 741,038	\$ 1,736,038	\$ 554,754
Less: Commissions (a)	<u>31,917</u>	<u>31,494</u>	<u>60,761</u>	<u>23,864</u>
Taxes Due	\$ 712,307	\$ 709,544	\$ 1,675,277	\$ 530,890
Taxes Paid	712,120	708,406	1,670,907	529,827
Refunds (Current and Prior Year)	<u>770</u>	<u>819</u>	<u>1,826</u>	<u>593</u>
Due Districts or (Refunds Due Sheriff)		(b)	(c)	
as of Completion of Fieldwork	<u>\$ (583)</u>	<u>\$ 319</u>	<u>\$ 2,544</u>	<u>\$ 470</u>

(a), (b), and (c) See Next Page

The accompanying notes are an integral part of this financial statement.

WEBSTER COUNTY  
 FRANKIE SPRINGFIELD, COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2003 TAXES  
 April 12, 2004  
 (Continued)

(a) Commissions:

10% on	\$ 10,000
4.25% on	\$ 2,030,017
3.5% on	\$ 1,736,038

(b) Special Taxing Districts:

Library District	\$ 80
Health District	(282)
Extension District	119
Watershed District	47
Ambulance District	365
Ditch District	(10)

Due Districts or (Refunds) Due Sheriff	<u>\$ 319</u>
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(c) School Taxes

Common School	\$ 200
Providence Independent	<u>2,344</u>

Due Districts	<u>\$ 2,544</u>
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WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT

April 12, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 12, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 12, 2004  
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 29, 2003 through April 12, 2004.

Note 4. Interest Income

The Webster County Sheriff earned \$2,683 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school districts as required by statute, and the remainder will be used to operate the Sheriff's office. As of November 24, 2004, the school districts owe the Sheriff \$57 in interest and the Sheriff owes \$252 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Webster County Sheriff collected \$23,498 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of November 24, 2004, the Sheriff owes \$253 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Webster County Sheriff collected \$10,020 of advertising costs and \$2,505 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.090, effective through June 23, 2003, property is presumed abandoned after seven years, after which time it is to be turned over to the Kentucky State Treasurer. After KRS 393.090 was amended, effective June 24, 2003, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer, in accordance with KRS 393.110.

## COMMENTS AND RECOMMENDATIONS





WEBSTER COUNTY  
FRANKIE SPRINGFIELD, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

As of April 12, 2004

INTERNAL CONTROL - REPORTABLE CONDITIONS:

Lacks Adequate Segregation Of Duties

Due to the entity's diversity of official operations, small size, and budget restrictions, the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional costs when setting the budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. We have judged the lack of an adequate segregation of duties as a reportable condition.

Examples of possible compensating controls to offset a lack of proper segregation of duties are:

- Cash recounted and deposited by the Sheriff
- Surprise cash counts by the Sheriff
- All disbursement checks signed by two people, with one being the Sheriff

*Sheriff's Response:*

*No response.*

The Sheriff Is Required By KRS 134.160 To Keep Accurate Accounting Records

The Sheriff is required by KRS 134.160 to keep accurate accounting records. There were no bank reconciliations prepared for many months, and there were many clerical errors in recording receipts and disbursements. Overpayments were included with refunds, and deducted from payments to the districts. These errors made reconciling the settlement very difficult. We realize this was a difficult time for the former bookkeeper, and the current bookkeeper has previous experience working the Sheriff's office. We recommend that accurate accounting records be maintained.

*Sheriff's Response:*

*No response.*

PRIOR YEAR:

There were no prior year comments.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



***Kevin P. Peercy, CPA***

***Linda Gray, CPA***



The Honorable James R. Townsend, Webster County Judge/Executive  
Honorable Frankie Springfield, Webster County Sheriff  
Members of the Webster County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Webster County Sheriff's Settlement - 2003 Taxes as of April 12, 2004, and have issued our report thereon dated November 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Webster County Sheriff's Settlement - 2003 Taxes as of April 12, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Webster County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties
- The Sheriff Is Required By KRS 134.160 To Keep Accurate Accounting Records


Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Percy and Gray, PSC".

Peercy and Gray, PSC

Audit fieldwork completed -  
November 24, 2004

